

**REPORT OF THE AUDIT OF THE
TRIMBLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TRIMBLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts has completed the Trimble County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances decreased by \$426,963 from the beginning of the year, resulting in a cash surplus of \$2,933,289 as of June 30, 2002.

Debt Obligations:

Capital lease principal agreements totaled \$756,700 as of June 30, 2002. Future principal and interest payments of \$914,360 are needed to meet these obligations.

Report Comments:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
TRIMBLE COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS	7
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES.....	10
NOTES TO FINANCIAL STATEMENTS	12
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	19
SCHEDULE OF OPERATING REVENUE	23
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	27
SCHEDULE OF UNBUDGETED EXPENDITURES.....	31
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	35
COMMENT AND RECOMMENDATION	39
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Ray Clem, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Trimble County, Kentucky, as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Trimble County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Trimble County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2002 of Trimble County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
Gordon C. Duke, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Ray Clem, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2003 on our consideration of Trimble County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Trimble County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 6, 2003

TRIMBLE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Ray Clem	County Judge/Executive
Norvel Barnes	Magistrate
Mike Dunaway	Magistrate
Stephen Stark	Magistrate
Richard Webster	Magistrate

Other Elected Officials:

Perry Arnold	County Attorney
Keith Harmon	Jailer
Jerry Powell	County Clerk
June Ginn	Circuit Court Clerk
Denny Long	Sheriff
Glen Perkinson	Property Valuation Administrator
William Ransdell	Coroner

Appointed Personnel:

Dawnice Moll	County Treasurer
Leslie Hawkins	Finance Officer

STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

TRIMBLE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>
	<u>General</u>
<u>Assets and Other Resources</u>	
<u>Assets</u>	
Cash and Cash Equivalents	<u>\$ 2,941,843</u>
Total Assets	<u>\$ 2,941,843</u>
<u>Other Resources</u>	
Amounts to Be Provided In Future Years for:	
Capital Leases (Note 4)	<u>\$ 756,700</u>
Total Assets and Other Resources	<u><u>\$ 3,698,543</u></u>

The accompanying notes are an integral part of the financial statements.

TRIMBLE COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND EQUITY
 ARISING FROM CASH TRANSACTIONS
 June 30, 2002
 (Continued)

	<u>General</u>
<u>Liabilities and Equity</u>	
<u>Liabilities</u>	
Capital Lease (Note 4)	\$ 756,700
Local Economic Development Fund	25
Payroll Revolving Account	7,396
Federal Tax Revolving Account	<u>1,133</u>
Total Liabilities	<u>\$ 765,254</u>
<u>Equity</u>	
Fund Balances:	
Reserved	\$ 23
Unreserved	<u>2,933,266</u>
Total Equity	<u>\$ 2,933,289</u>
Total Liabilities and Equity	<u><u>\$ 3,698,543</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

TRIMBLE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,233,499	\$ 1,434,395	\$ 599,525	\$ 30,529
Other Financing Sources:				
Transfers In	253,660		73,100	156,700
Capital Lease-Proceeds	650,000	650,000		
Total Cash Receipts	<u>\$ 3,137,159</u>	<u>\$ 2,084,395</u>	<u>\$ 672,625</u>	<u>\$ 187,229</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,296,658	\$ 2,340,686	\$ 738,259	\$ 187,902
Other Financing Uses:				
Schedule of Unbudgeted Expenditures	604			
Transfers Out	253,660	253,660		
Capital Lease Principal	13,200	13,200		
Total Cash Disbursements	<u>\$ 3,564,122</u>	<u>\$ 2,607,546</u>	<u>\$ 738,259</u>	<u>\$ 187,902</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (426,963)	\$ (523,151)	\$ (65,634)	\$ (673)
Cash Balance - July 1, 2001	<u>3,360,252</u>	<u>1,080,528</u>	<u>402,903</u>	<u>692</u>
Cash Balance - June 30, 2002	<u>\$ 2,933,289</u>	<u>\$ 557,377</u>	<u>\$ 337,269</u>	<u>\$ 19</u>

The accompanying notes are an integral part of the financial statements.

TRIMBLE COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

General Fund Type		
Local Government Economic Assistance Fund	License Fee Fund	Child Abuse Fund
\$ 4,597	\$ 164,453	\$
23,860		
\$ 28,457	\$ 164,453	\$ 0
\$ 28,761	\$ 1,050	\$
		604
\$ 28,761	\$ 1,050	\$ 604
\$ (304) 279	\$ 163,403 1,875,223	\$ (604) 627
\$ (25)	\$ 2,038,626	\$ 23

The accompanying notes are an integral part of the financial statements.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Trimble County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Trimble County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Trimble County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Trimble County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Trimble County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund (LGEA), License Fee Fund, and the Child Abuse Fund.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Trimble County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIMBLE COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2002
 (Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. As of August 31, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$185,509 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2001.

	<u>Bank Balance</u>
Collateralized with securities held by the county's agent in the county's name	\$ 2,041,030
FDIC Insured	200,000
Uncollateralized and uninsured	<u>185,509</u>
Total	<u><u>\$ 2,426,539</u></u>

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 4. Capital Leases

A. Bedford Fire Truck

On December 31, 1998, the fiscal court entered into a lease agreement with the Kentucky Area Development Districts Financing Trust to borrow \$148,000 at 4.96 percent for the purchase of a fire truck for the Bedford Fire Department. The county is making semi-annual payments of varying amounts over a 10 year period in accordance with the contract. Principal lease payment requirements and scheduled interest for the remaining term of the contract are as follows:

<u>Fiscal Year Ended</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2003	\$ 5,121	\$ 13,900
June 30, 2004	4,424	14,600
June 30, 2005	3,690	15,300
June 30, 2006	2,924	16,000
June 30, 2007	2,120	16,800
2008-2009	<u>1,657</u>	<u>30,100</u>
Totals	<u>\$ 19,936</u>	<u>\$ 106,700</u>

B. Courthouse Renovation

On May 22, 2002, the fiscal court entered into a lease agreement the Kentucky Association of Counties Leasing Trust to borrow \$650,000 at a variable interest rate for the renovation of the Trimble County Courthouse. The county will make monthly payments of varying amounts for 10 years in accordance with the contract. Principal lease payment requirements and scheduled interest for the remaining term of the contract are as follows:

<u>Fiscal Year Ended</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
June 30, 2003	\$ 26,540	\$ 55,924
June 30, 2004	22,321	57,769
June 30, 2005	20,016	59,675
June 30, 2006	17,634	61,643
June 30, 2007	15,175	63,677
2008-2012	<u>36,038</u>	<u>351,312</u>
Totals	<u>\$ 137,724</u>	<u>\$ 650,000</u>

Total Capital Lease Principal \$756,700.

TRIMBLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002
(Continued)

Note 5. Insurance

For the fiscal year ended June 30, 2002, Trimble County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

TRIMBLE COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	Budgeted Operating Revenue	Actual Operating Revenue	Over (Under) Budget
<u>General Fund Type</u>			
General Fund	\$ 1,952,785	\$ 1,434,395	\$ (518,390)
Road and Bridge Fund	608,111	599,525	(8,586)
Jail Fund	231,116	30,529	(200,587)
Local Government Economic Assistance Fund	40,260	4,597	(35,663)
License Fee Fund	175,100	164,453	(10,647)
Totals	<u>\$ 3,007,372</u>	<u>\$ 2,233,499</u>	<u>\$ (773,873)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 3,007,372
Add: Budgeted Prior Year Surplus	849,901
Less: Other Financing Uses	<u>(13,200)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 3,844,073</u>

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SCHEDULE OF OPERATING REVENUE

TRIMBLE COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Revenue Categories</u>	<u>GOVERNMENTAL FUND TYPES</u>	
	General Fund Type	
Taxes	\$	297,445
Excess Fees		6,165
Licenses and Permits		975,873
Intergovernmental Revenues		662,852
Charges for Services		1,804
Miscellaneous Revenues		142,396
Interest Earned		146,964
Total Operating Revenue	\$	<u>2,233,499</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

TRIMBLE COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 381,293	\$ 369,750	\$ 11,543
Protection to Persons and Property	635,985	586,062	49,923
General Health and Sanitation	142,835	91,644	51,191
Social Services	7,600	6,902	698
Recreation and Culture	339,168	331,021	8,147
Roads	835,743	742,202	93,541
Debt Service	5,786	5,786	
Capital Projects	785,226	785,226	
Administration	710,437	378,065	332,372
Total Operating Budget - General Fund Type	\$ 3,844,073	\$ 3,296,658	\$ 547,415
Other Financing Uses:			
Capital Lease Agreement- Principal on Lease	13,200	13,200	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 3,857,273</u>	<u>\$ 3,309,858</u>	<u>\$ 547,415</u>

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SCHEDULE OF UNBUDGETED EXPENDITURES

TRIMBLE COUNTY
SCHEDULE OF UNBUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

<u>Expenditure Items</u>	<u>Child Abuse Fund</u>
Educational Materials and Supplies	<u>\$ 604</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
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Honorable Ray Clem, Trimble County Judge/Executive
Members of the Trimble County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Trimble County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated June 6, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Trimble County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comment and recommendation.

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Trimble County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 6, 2003

COMMENT AND RECOMMENDATION

TRIMBLE COUNTY
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2002

NONCOMPLIANCES

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On August 31, 2001 \$185,509 of the county's deposits of public funds held at Farmer's Bank of Milton were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive Ray Clem's Response:

None.

PRIOR YEAR FINDINGS

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

This was not corrected and is repeated in this audit report.

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

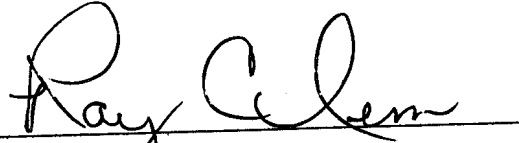
TRIMBLE COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2002

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
TRIMBLE COUNTY FISCAL COURT

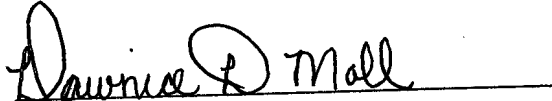
For The Fiscal Year Ended June 30, 2002

The Trimble County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "Ray Allen", written over a horizontal line.

Name

Former County Judge/Executive

A handwritten signature in black ink, appearing to read "Dawnie D. Mall", written over a horizontal line.

Name

County Treasurer